

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 OIC-02 EB-08 COME-00 AID-05

OMB-01 SP-02 CIAE-00 INR-07 NSAE-00 IO-13 /049 W

-----094202 190556Z /10

R 190420Z AUG 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 3259

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

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E.O. 11652: N/A

TAGS: EFIN, ID

SUBJECT: WORLD BANK/IMF ANNUAL MEETINGS

REF: (A) JAKARTA 10943, (B) STATE 184669

1. SU

GARY: INDONESIAN DELEGATION TO THIS YEAR'S MEETING WILL DISPLAY CONSIDERABLE CONFIDENCE ABOUT IMPROVEMENTS IN INDONESIAN FINANCIAL PICTURE. THEY WILL EMPHASIZE SOFT TERMS FOR IMF EXPANDED CREDIT FACILITIES AND SUPPORT EXPANSION OF IDA FACILITIES. QUESTION OF PALM OIL LOANS WILL BE RAISED IN PRIVATE DISCUSSIONS. MINISTER OF FINANCE AND GOVERNOR OF BANK OF INDONESIA MAY REQUEST ONE BILATERAL MEETING TO TAKE UP PALM OIL LOANS AND RELATED ISSUES. END SUMMARY.

2. INDONESIAN DELEGATION TO IMF/IBRD MEETING WILL COME TO WASHINGTON THIS YEAR ARMED WITH GENERALLY GOOD NEWS ABOUT THE COUNTRY'S EXTERNAL FINANCIAL SITUATION, INCLUDING A GREATLY IMPROVED BALANCE OF PAYMENTS PROFILE AND THE SETTLEMENT (ON GOOD TERMS FOR THE GOI) OF THE TANKER DEBT. THEY WILL EXUDE CONSIDERABLE PRIDE IN THE MANNER IN WHICH GOI HAS TIGHTENED ITS GRIP OVER GOVERNMENT'S FINANCIAL

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TRANSACTIONS, ESPECIALLY THOSE OF PERTAMINA, A PERFORMANCE ALREADY PRAISED BY IMF AND BANK AT THIS YEAR'S IGGI MEETING. CONFIDENCE OF FINANCIAL OFFICIALS HAS BEEN BUTTRESSED BY KNOWLEDGE OF INDONESIA'S RENEWED IDA ELIGIBILITY, PARTICULARLY SINCE GOI IS EMPHASIZING SOFT TERMS FOR NEW OANS TO MINIMIZE IMPACT ON GROWING DEBT SERVICE RATIO IN THE COMING YEARS.

3. AT THIS POINT GOI HAS NO PLANS TO RAISE SPECIFIC ISSUES OR PROPOSALS AT THE PLENARY. BOTH YULIANTO (MINFINANCE) AND SIREGAR (BANK OF INDONESIA) TOLD US THAT THEY EXPECT MEETING TO BE RELATIVELY UNEVENTFUL THIS YEAR. THERE ARE, HOWEVER, A NUMBER OF ISSUES OF CONSIDERABLE INTEREST TO GOI. THESE ARE AS FOLLOWS: IMF SPECIAL FACILITY (WITTEVEN FUND). YULIANTO, WHO ATTENDED RECENT OPEC FINANCE MINISTERS' MEETINGS IN VIENNA, MENTIONED THAT OPEC FINANCE MINISTERS HAD BEEN SOMEWHAT UNHAPPY BY THEIR STATUS AS A "SPECIAL CONTRIBUTING GROUP" FOR THE SPECIAL FACILITY RATHER THAN AS MEMBERS OF THE DEVELOPING COUNTRIES. HE NOTED THAT THERE WAS TALK ABOUT A POSSIBLE SPECIAL MEETING OF OPEC FINANCE MINISTERS IN WASHINGTON IMMEDIATELY PRIOR TO THE IMF/IBRD MEETING. INDONESIA, AS THE POOREST OPEC COUNTRY, WOULD TAKE A MODERATE STANCE ON ANY OUTSTANDING ISSUES IN SETTING UP THE SPECIAL FACILITY. IN SEPARATE CONVERSATION SIREGAR WAS CONFIDENT THAT SPECIAL FACILITY WOULD BE AGREED UPON, NOTING THAT THE MATTER OF OPEC COUNTRY CONTRIBUTIONS WAS ON THE WAY TO RESOLUTION. IN HIS VIEW ONLY TECHNICAL DETAILS SUCH AS INTEREST RATES FOR DRAWINGS FROM THE SPECIAL FACILITY REMAINED TO BE WORKED OUT. HE SAID INTEREST RATES SHOULD NOT BE TOO BURDENSOME, PARTICULARLY FOR THE MOST SERIOUSLY AFFECTED COUNTRIES, AND IMPLIED THAT INDONESIANS WOULD SUPPORT CREATION OF A LIMITED OFFICIAL USE

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SPECIAL SUBSIDY FUND TO ENABLE USE OF SPECIAL FACILITIES ON SOFT TERMS.

4. ANOTHER SUBJECT OF SPECIAL INTEREST TO GOI ARE IFI LOANS FOR PALM OIL DEVELOPMENT. WE ANTICIPATE THAT INDONESIANS, IN PRIVATE AND CORRIDOR DISCUSSIONS, WILL PLEAD FOR A LIBERAL APPROACH AND EMPHASIZE THE ECONOMIC NECESSITY FOR EXPANSION OF PALM OIL PRODUCTION IN INDONESIA. SINCE UNDER SECRETARY COOPER WILL NOT BE TRAVELING TO JAKARTA IN SEPTEMBER (STATE 195296) MINISTER WARDHANA AND GOVERNOR SALEH LIKELY WILL REQUEST APPOINTMENT WITH HIM TO DISCUSS PALM OIL AND OTHER ISSUES.  
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## Message Attributes

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